

“The results confirm novobanco’s business momentum and its accretive business model, combined with specific capital-generation measures. Novobanco is creating value for all its stakeholders with the progress done over recent years reflected in Moody’s 2-notch upgrade. The Bank is well positioned to continue to grow and compete in the Portuguese corporate and retail market.”

António Ramalho, CEO

CONTINUE DELIVERY OF IMPROVED PROFITABILITY

- **novobanco announces a net income of €266.7mn** (1H21: €137.7mn; +93.7% YoY).

A solid business performance delivering further improvement in profitability against an uncertain macro background characterised by inflationary pressures and consequent volatility of interest rates.

- **Net Interest Income was €268.0mn (-7.3% YoY)**, reflecting stable loan book yield and impact of senior debt issuance in 4Q21 and the negative interest rates on money market placements. **The Net Interest Margin in the period was 1.30%** (vs 2021: 1.42%) with **Net customer loans at €24.3bn (+2.8% YTD)**, confirming trajectory of an expanding loan book in both retail and corporate segments and a more favourable rate environment.
- **Fees and commissions increased to €144.4mn (+6.5% YoY)**, reflecting a strong performance across the board and an improved quarterly trend.
- As a result, **Commercial banking income in the period was €412.4mn (-2.9% YoY)** and **Banking Income was strong at €571.5mn (+16.9% YoY)**, with Other operating results of €73.2mn, driven by an accelerated deleverage of the real estate portfolio.
- **Commercial Cost to Income ratio was 51%** (1Q21: 48%; 1Q22: 51%; 2Q22: 50%; excluding markets and other operating results), with **Operating costs of €208.7mn**. The +€4.6mn YoY change reflects the increase of General and administrative expenses, mostly one-off, to support the continuous investment in the improvement of operational and business processes required to deliver novobanco’s strategic program, partially offset by lower staff costs. **On a recurring basis, operating costs reduced by 0.5% (-€0.9mn) with C/I ratio of 49%**.
- **Cost of risk was 15bps**, given the successful ongoing de-risking strategy (1H21: 68bps or 40bps ex-Covid related provisions) and reflecting a decrease in **Loan impairments to €19.3mn** (-77.2%; -€65.4mn vs 1H21).
- All in all, **novobanco continued to grow its profitability, reaching a RoTE of 11.0%** (pre-tax), with underlying pre-tax profitability¹ of €160.2mn, a further confirmation of the sustainability of its trajectory.

SOLID BUSINESS MODEL WITH STRONG CUSTOMER OUTCOMES

- Positive evolution of Gross **Customers loans** (€25.5bn, +2.6% YTD), across all segments. Total customer funds improved by 2.4% YTD, with 3.9% increase of customer deposits (+€1.1bn), reflecting growth of the business.
- **In the quarter, Moody’s upgraded novobanco’s baseline credit assessment (BCA) rating by 2 notches**, from caa1 to b2, with unchanged positive outlook. The two-notch increase in Moody’s credit rating reflects “novobanco’s improved credit profile as a result of the continued de-risking of its balance sheet and the significant restructuring of its operations over recent years”. The ratings on the Bank’s long-term senior unsecured debt and subordinated debt were upgraded from Caa2 to B3.
- **Further improvement of the Non-performing loans (NPL) ratio at 5.4% (Dec/21: 5.7%; Jun/21: 7.3%), with 73.0% coverage ratio**, reflecting the de-risking of the balance sheet and progress towards achieving an NPL ratio in line with the European average.

GENERATING CAPITAL AND SOLID LIQUIDITY RATIOS

Driven by strong bottom-line profitability, **CET 1 ratio increased significantly by 1.0pp in the quarter to 11.8%** (vs Dec/21: 11.1%; Mar/22: 10.8%) **and Total capital ratio reached 13.9%** (vs Dec/21: 13.1%, Mar/22: 12.9%), which is already above the 13.5% OCR requirement and allows building of P2G buffer. This reflects the capital accretive business model, RWA discipline and is combined with specific measures to ensure early compliance with normalised post-pandemic capital requirements.

The liquidity ratio (LCR) improved further to 187% (Dec/21: 182%) and NSFR amounted to 106% (Dec/21: 117%).

¹ Calculated as pre-tax net income adjusted by extraordinary items and excluding capital markets results

GROUP RESULTS

In the first half of 2022, novobanco Group reported a profit of €226.7mn (+€129.0mn YoY). The change in profit is driven by the improvement in the banking income (+€82.4mn) and the lower level of impairments and provisions (-77.8%; -€69.4mn).^{60.2}

The underlying pre-tax profitability² totalled €160.2mn, equivalent to a RoTE (Return on Tangible Equity; pre-tax) of 11.0%.

INCOME STATEMENT	30-Jun-21	30-Jun-22	Change	
			absolute	%
			mn€	
Net Interest Income	289.3	268.0	- 21.2	-7.3%
+ Fees and Commissions	135.5	144.4	8.9	6.5%
= Commercial Banking Income	424.8	412.4	- 12.4	-2.9%
+ Capital Markets Results	93.3	85.8	- 7.6	-8.1%
+ Other Operating Results	- 29.1	73.2	102.4	...
= Banking Income	489.0	571.5	82.4	16.9%
- Operating Costs	204.1	208.7	4.6	2.2%
= Net Operating Income	284.9	362.7	77.8	27.3%
+ Restructuring funds - independent valuation	0.0	0.0	0.0	...
- Net Impairments and Provisions	89.2	19.8	- 69.4	-77.8%
Credit	84.7	19.3	- 65.4	-77.2%
Securities	16.0	41.7	25.6	...
Other Assets and Contingencies	- 11.5	- 41.2	- 29.7	...
= Income before Taxes	195.7	343.0	147.2	75.2%
- Corporate Income Tax	21.1	18.9	- 2.2	-10.4%
- Special Tax on Banks	34.2	34.1	- 0.1	-0.2%
= Income after Taxes	140.4	289.9	149.5	...
- Non-Controlling Interests	2.7	23.2	20.5	...
= Net Income for the period	137.7	266.7	129.0	93.7%

INCOME STATEMENT	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ change	
							absolute	%
							mn€	
Net Interest Income	145.7	143.5	140.9	143.2	133.5	134.5	1.0	0.7%
+ Fees and Commissions	62.8	72.8	72.3	74.6	68.8	75.6	6.9	10.0%
= Commercial Banking Income	208.5	216.3	213.2	217.9	202.3	210.1	7.8	3.9%
+ Market Results	52.8	40.5	-59.7	42.2	91.4	-5.6	-97.0	...
+ Other Operating Results	12.2	-41.3	30.3	39.2	16.7	56.5	39.8	...
= Banking Income	273.5	215.5	183.9	299.3	310.4	261.0	-49.4	-15.9%
- Operating Costs	102.7	101.4	101.6	102.6	103.6	105.1	1.5	1.4%
= Net Operating Income	170.8	114.1	82.3	196.6	206.8	155.9	-50.9	-24.6%
- Net Impairments and Provisions	61.8	27.4	70.4	193.1	21.8	-2.0	-23.8	...
Credit	54.9	29.8	30.3	34.4	14.3	5.0	-9.2	-64.7%
Securities	0.9	15.1	1.4	30.4	11.1	30.6	19.5	...
Other Assets and Contingencies	6.0	-17.5	38.7	128.4	-3.6	-37.6	-34.1	...
= Income before Taxes	109.0	86.7	11.9	3.5	185.0	157.9	-27.1	-14.6%
- Taxes	4.2	16.9	-8.1	-28.2	7.4	11.6	4.2	57.4%
- Special Tax on Banks	32.8	1.5	0.0	-0.1	34.1	0.0	-34.1	-100.0%
= Income after Taxes	72.0	68.4	20.0	31.8	143.5	146.4	2.8	2.0%
- Non-controlling Interests	1.3	1.4	3.6	1.4	0.9	22.3	21.5	...
= Net Income	70.7	67.0	16.4	30.4	142.7	124.0	-18.6	-13.1%

² Calculated as pre-tax net income adjusted by extraordinary items and excluding capital markets results

The novobanco Group presents the sixth consecutive quarter of profitability. Key features of the activity in the second quarter of 2022 are the following:

- Commercial banking income amounted to €210.1mn, driven by an improvement in fees and commissions (+10.0%; +€6.9mn vs 1Q22) and stable net interest income (+0.7%; +€1.0mn);
- Capital markets results of -€5.6mn, driven by interest rates volatility in the period;
- Operating costs of €105.1mn, with higher General and Administrative Costs and reflecting the continued investment in the business, including the New Distribution Model, the implementation of an Omnichannel delivery model, supported by a programme of digital transformation;
- Net impairments and provisions amounted to -€2.0mn reflecting the normalisation of the balance sheet (1Q22: €21.8mn).

Net Interest Income

Net Interest Income was €268.0mn (-7.3% YoY), reflecting the higher funding cost due to the senior debt issuance in 4Q21 and negative interest rates on money market placements. The expansion of the loan book (Gross customer loans +€642mn YoY) and the higher interest rates contribute positively to an improvement in Net interest income, which impact although still not significant, has already been observed in the first half of 2022.

The business performance is in line with expectations for the period, despite the current macroeconomic conditions characterized by inflationary pressure and consequent volatility of interest rates, which has been exacerbated by the conflict in Ukraine.

The average asset rate reduced by 9bps YTD, from 1.60% in December 2021 to 1.51% in the first half of 2022, with the decrease explained by the negative rates of money market placements. The average liability rate increased by 3bp, given the senior debt issuance in 4Q21.

NET INTEREST INCOME (NII) AND NET INTEREST MARGIN (NIM)	30-Jun-21			31-Dec-21			30-Jun-22		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	39 357	1.65%	326	39 799	1.60%	645	41 009	1.51%	311
Customer Loans	24 994	2.03%	255	24 954	2.01%	509	25 211	2.02%	256
Mortgage Loans	9 911	1.06%	53	9 869	1.04%	104	9 782	1.04%	51
Consumer Loans and Others	1 353	5.90%	40	1 380	5.86%	82	1 432	5.85%	42
Corporate Lending	13 730	2.35%	162	13 706	2.33%	323	13 997	2.31%	163
Money Market Placements	3 883	0.18%	4	4 602	0.07%	3	6 013	-0.32%	- 10
Securities and Other Assets	10 479	1.27%	67	10 243	1.28%	133	9 785	1.32%	65
INTEREST EARNING ASSETS AND OTHER	39 357	1.65%	326	39 799	1.60%	645	41 009	1.51%	311
INTEREST BEARING LIABILITIES	37 764	0.18%	35	38 148	0.18%	68	39 750	0.21%	41
Customer Deposits	26 425	0.20%	27	26 580	0.19%	51	27 813	0.15%	21
Money Market Funding	10 390	-0.49%	- 26	10 497	-0.51%	- 54	10 496	-0.50%	- 26
Other Liabilities	949	7.01%	33	1 070	6.53%	71	1 441	6.38%	46
OTHER NON-INTEREST BEARING LIABILITIES	1 593	-	-	1 651	-	-	1 259	-	-
INTEREST BEARING LIABILITIES AND OTHER	39 357	0.17%	35	39 799	0.17%	68	41 009	0.20%	41
NIM / NII <small>(without stage 3 impairment adjustment)</small>		1.47%	291		1.43%	577		1.31%	269
Stage 3 impairment			- 2			- 4			- 1
NIM / NII		1.46%	289		1.42%	573		1.30%	268

The average balance of deposits was €27.8bn, with an average interest rate of 0.15% (-4bps YTD), and Money Market Funding was €10.5bn, with -0.50% average interest rate, benefiting from the conditions of the ECB long-term refinancing operations.

The overall net interest margin decrease (1.30%; 2021: 1.42%) is explained by a mild compression of the asset yields, driven by negative rates on money market placements (1.51%; 2021: 1.60%), and slight increase in the cost of liabilities (0.20%; 2021: 0.17%).

Fees and Commissions

Fees and commissions were €144.4mn in the quarter, representing a 6.5% YoY increase (+€8.9mn).

This positive development is driven mainly by (i) a strong performance in Payments Management (+11.6%; +€6.3mn YoY) due to higher volume of transactions and pricing, and (ii) higher management fees in Asset Management & Bancassurance (+7.7%; +€2.4mn), reflecting a quarter with more robust commercial activity and increased customer appetite in the Bancassurance segment.

FEES AND COMMISSIONS	30-Jun-21	30-Jun-22	Change	
			absolute	%
Payments Management	54.3	60.6	6.3	11.6%
Commissions on Loans, Guarantees and Similar	42.7	42.5	-0.2	-0.4%
Asset Management and Bancassurance	30.8	33.2	2.4	7.7%
Advising, Servicing and Other	7.7	8.1	0.4	5.1%
TOTAL	135.5	144.4	8.9	6.5%

Capital Markets and Other Operating Results

In the period, the results of financial operations were positive in the amount of €85.8mn (1Q22: €91.4mn; 2Q22: -€5.6mn) mostly due to gains from the hedging of interest rate risk, reflecting the volatility of sovereign debt in the market. The fair value reserves decreased by €271.7mn in the first half of the year (2Q22: -€28.3mn).

Other operating results amounted €73.2mn, including €77.1mn of gains from the sale of a real estate assets (portfolio of logistics assets; €58.5mn net of non-controlling interests), offsetting €40.9mn of contributions to resolution funds (Single Resolution Fund: €24.5mn; Portuguese Resolution Fund: €15.4mn).

Operating Costs

Operating costs increased by €4.6mn YoY, reflecting on the one hand the reduction of staff costs given the lower number of employees and on the other hand, the increase in General and administrative costs reflecting the continuous investment towards transformation of the organisation and its processes as a function of its strategic programme.

Operating costs presented a reduction of 0.5%, to €203.1mn, when adjusted by non-recurrent costs in general and administrative costs.

OPERATING COSTS	30-Jun-16	30-Jun-17	30-Jun-18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22	Change	
								absolute	%
Staff Costs	157.0	142.8	133.9	133.4	129.2	117.6	111.8	- 5.8	-4.9%
General and Administrative Costs	118.2	101.0	99.1	92.7	83.5	70.1	77.3	7.2	10.2%
Depreciation	29.0	21.4	11.2	17.0	17.3	16.4	19.5	3.2	19.4%
TOTAL	304.2	265.2	244.2	243.1	230.1	204.1	208.7	4.6	2.2%

Staff costs totalled €111.8mn (-4.9% YoY), maintaining the downward trend of recent years, as a result of increased efficiency. As of 30 June 2022, novobanco Group had 4,167 employees (Dec/21: 4,193; -26 YTD; Jun/21: 4,470; -303 YoY).

General administrative costs and Depreciation increased to €77.3mn and €19.5mn, respectively.

The total number of branches as of 30 June 2022 was 304 (Dec/21: 311; -7 branches YTD; Jun/21: 349; -45 YoY).

Net Impairments and Provisions

In the first half of 2022, novobanco Group recorded net impairments and provisions amounting to €19.8mn, a reduction compared to 1H21 (-77.8%; -€69.4mn).

Benefiting from the execution of the de-risking strategy implemented during the restructuring process, the cost of risk decreased to 15bps (vs 1H21: 68bps).

NET IMPAIRMENTS AND PROVISIONS	30-Jun-21	30-Jun-22	Change	
			absolute	%
Customer Loans	84.7	19.3	-65.4	-77.2%
Securities	16.0	41.7	25.6	...
Other Assets and Contingencies	- 11.5	- 41.2	- 29.7	...
TOTAL	89.2	19.8	- 69.4	-77.8%

ACTIVITY, LIQUIDITY AND CAPITAL MANAGEMENT

Customer Loans

Novobanco's strategy is to support the domestic business community combined with a robust and disciplined lending policy. This support has been provided across all industry sectors and all companies, with an emphasis on exporting SMEs and those that focus on innovation in their products, services or production systems.

CUSTOMER LOANS	30-Jun-21	31-Dec-21	30-Jun-22	YTD Change	
				absolute	%
Loans to corporate customers	13 689	13 710	14 268	558	4.1%
Loans to Individuals	11 256	11 189	11 273	84	0.8%
Residential Mortgage	9 889	9 782	9 833	51	0.5%
Other Loans	1 367	1 406	1 440	33	2.4%
Customer Loans (gross)	24 945	24 899	25 541	642	2.6%
Provisions	1 474	1 248	1 237	- 11	-0.9%
Customer Loans (net)	23 470	23 651	24 304	653	2.8%

Loans to customers (gross) totalled €25,541mn, increasing 2.6% YTD driven by a 4.1% growth in loans to corporate customers.

The asset quality indicators of June 2022, and comparison with previous year, are presented below:

ASSET QUALITY AND COVERAGE RATIOS	30-Jun-21	31-Dec-21	30-Jun-22	YtD Change	
				absolute	%
Overdue Loans > 90 days	577	290	325	35	12.2%
Non-Performing Loans (NPL) ¹	2 209	1 749	1 695	- 54	-3.1%
Overdue Loans > 90 days / Customer Loans (gross)	2.3%	1.2%	1.3%	0.1 p.p.	
Non-Performing Loans (NPL)¹ / Customer Loans (gross) + Deposits with Banks and advances to Banks (gross)	7.3%	5.7%	5.4%	-0.3 p.p.	
Credit Provisions / Customer Loans	5.9%	5.0%	4.8%	-0.2 p.p.	
Coverage of Overdue Loans > 90 days	255.6%	430.2%	380.2%	-50.1 p.p.	
Coverage of Non-Performing Loans¹	78.4%	71.4%	73.0%	1.6 p.p.	

¹ Includes Deposits and Loans and advances to Banks and Customer Loans

The reduction in loans overdue by more than 90 days and non-performing loans (including deposits with Banks and loans and advances to Banks), led to an improvement in the respective asset quality ratios to 1.3% and 5.4%, respectively (Jun/21: 2.3% and 7.3%).

As of June 2022, the provision coverage of NPL by impairments (including deposits with Banks and loans and advances to Banks) was 73.0%.

Securities

The securities portfolio, which is the main source of assets eligible for funding operations with the European Central Bank (ECB), amounted to around €10.3bn on 30 June 2022, representing 22.6% of assets.

net of impairment				mn€	
Securities portfolio	30-Jun-21	31-Dec-21	30-Jun-22	YTD Change	
				absolute	relative
Portuguese sovereign debt	3 262	3 056	2 166	- 890	-29.1%
Other sovereign debt	3 489	3 197	3 353	156	4.9%
Bonds	3 463	3 413	4 105	692	20.3%
Other	903	805	655	- 150	-18.6%
Total	11 117	10 471	10 278	- 193	-1.8%

Funding

Total customer funds amounted to €34.6bn as of June 2022, showing an increase of 2.4% YTD, driven by an increase in deposits (+3.9% YTD), which represent 82.1% of total customer funds.

TOTAL FUNDS	30-Jun-21	31-Dec-21	30-Jun-22	YTD change	
				absolute	%
Deposits	26 875	27 315	28 385	1 070	3.9%
Other Customer Funds ⁽¹⁾	324	267	645	378	...
Debt Securities ⁽²⁾	559	1 054	1 066	12	1.1%
Subordinated Debt	432	415	432	17	4.1%
Sub -Total	28 190	29 052	30 528	1 477	5.1%
Off-Balance Sheet Funds	4 655	4 711	4 046	- 664	-14.1%
Total Funds	32 846	33 762	34 575	812	2.4%

(1) Includes checks and pending payment instructions, Repos and other funds.

(2) Includes funds associated to consolidated securitisation operations.

Liquidity

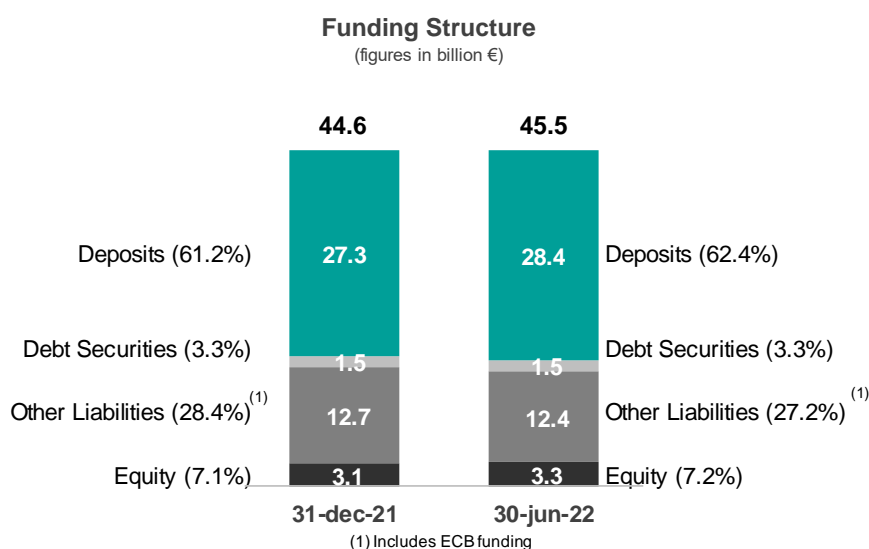
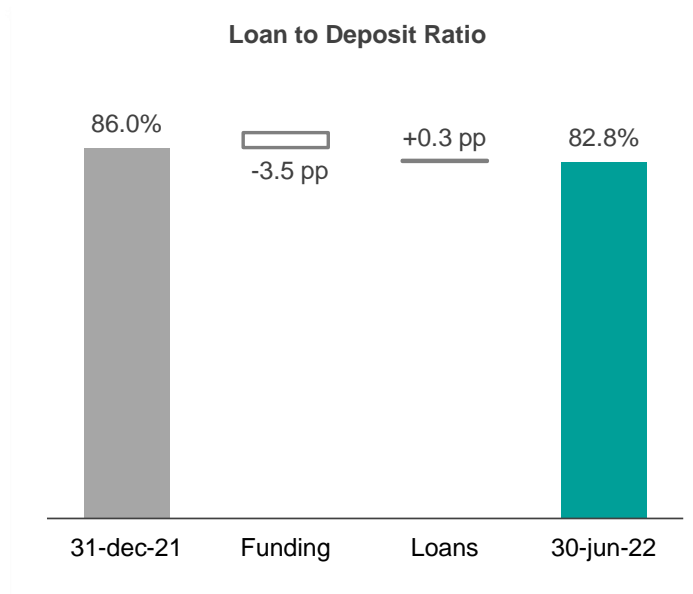
Novobanco maintained in the first half of 2022, a comfortable liquidity position as demonstrated by a Liquidity Coverage Ratio (LCR) of 187% (Dec/21: 182%) and Net Stable Funding Ratio (NSFR) of 106% (Dec/21: 117%), both well above the regulatory requirement.

In the first half of 2022 customer deposits increased by €1.1bn YTD and by €1.5bn YoY, to €28.4bn, mainly explained by the performance of the retail segment, remaining the main source of balance sheet funding (67.2% of total liabilities and 62.4% of total assets).

In terms of asset evolution, in the period, the net loan portfolio increased by €0.7bn, to €24.3bn, and by €0.8bn compared to June 2021, driven by the growth of the corporate segment.

In the first half of the year, the deposits with ECB remained systematically above €5.0bn, standing at €5.8bn at the end of June (vs. €5.3bn in Dec/21). As a result, net funding from the ECB (funding taken from the ECB minus deposits with the European Central Bank) was €2.2bn in Jun/22 vs €2.7bn in Dec/21, a reduction in the first semester of around €0.5bn.

On 30 June 2022, the eligible assets portfolio available for use as collateral with the European Central Bank remained stable versus 31 December 2021, totalling €16.5bn (net of haircut). In addition, including HQLA assets non-eligible for ECB rediscount purposes, as well as deposits with ECB, the total liquidity buffer in the first half of 2022 increased by €0.7bn, to €13.2bn, mostly composed of highly liquid assets (90%).



Capital

Driven by strong bottom-line profitability, as of June 2022, CET 1 ratio was 11.8% (+1.0pp vs Mar/22: 10.8%) and Total capital ratio reached 13.9% (+1.0pp vs Mar/22: 12.9%), above 13.5% OCR requirement (applicable as of 1 January 2023) and allows building of P2G buffer.

In this context, it is important to highlight the fact that the European Central Bank (ECB) disclosed during March 2020 several measures that allow Banks to operate temporarily below the required capital level. These measures aim to prevent Banks from suspending financing to the economy in an adverse economic environment. In addition, changes were introduced to the regulatory framework, in force since June 2020, regarding the calculation of capital ratios, aimed at mitigating the impacts of the Covid-19 pandemic. In these circumstances, novobanco adhered to the dynamic option of the transitional regime of IFRS 9.

CAPITAL RATIOS (CRD IV/CRR)		m€					
		31-Dec-21 ⁽¹⁾ (Phased-in)	31-Dec-21 ⁽¹⁾ (Fully loaded)	31-Mar-21 ⁽²⁾ (Phased-in)	31-Mar-21 ⁽²⁾ (Fully loaded)	30-Jun-22 ⁽²⁾ (Phased-in)	30-Jun-22 ⁽²⁾ (Fully loaded)
Risk Weighted Assets	(A)	24 929	24 689	23 761	23 622	23 058	22 914
Own Funds							
Common Equity Tier 1	(B)	2 768	2 507	2 571	2 419	2 711	2 558
Tier 1	(C)	2 769	2 509	2 572	2 420	2 712	2 559
Total Own Funds	(D)	3 276	3 016	3 076	2 925	3 214	3 061
Common Equity Tier 1 Ratio	(B/A)	11.1%	10.1%	10.8%	10.2%	11.8%	11.2%
Tier 1 Ratio	(C/A)	11.1%	10.1%	10.8%	10.2%	11.8%	11.2%
Solvency Ratio	(D/A)	13.1%	12.2%	12.9%	12.4%	13.9%	13.4%
Leverage Ratio		6.0%	5.4%	5.5%	5.2%	5.7%	5.4%

(1) Updated values

(2) Preliminary

Novobanco's Common Equity Tier 1 (CET1) ratio is protected up to a predetermined threshold for the amounts of losses verified in a perimeter of assets as outlined by the Contingent Capital Agreement. The amount of compensation requested with reference to 2021 was €209.2mn (with this amount not included in the calculation of regulatory capital with reference to 31 December 2021), took into account the losses incurred in the assets covered by the Contingent Capital Agreement, as well as the minimum capital condition applicable at the end of the same year under the Contingent Capital Agreement.

Regarding the amount requested from the Resolution Fund for the year 2020, there are two divergences between novobanco and the Resolution Fund, i.e. (i) the provision for discontinued operations in Spain and (ii) valuation of participation units, which are subject to an arbitration decision. novobanco considers these amounts (in aggregate equal to €165mn) as due from the Resolution Fund under the Contingent Capital Agreement, and has triggered the legal and contractual mechanisms at its disposal.

Additionally, novobanco and the Resolution Fund have a divergence, subject to arbitration, concerning the application by novobanco, at the end of 2020, of the dynamic option of the transitional regime of IFRS 9.

COMMERCIAL ACTIVITY

Corporate Banking

novobanco holds a leadership position within the Portuguese corporate sector, with market shares of 14.7% in loans to non-financial companies and 12.6% in deposits in this segment³. To serve its corporate clients, novobanco has a segmented network:

- The Large Corporates segment, serving around 2,000 clients with financial involvement of €8.2bn, has two hubs that ensure proximity to the clients (Oporto and Lisbon);
- The Medium-Sized Companies segment, serving around 12,000 clients with financial involvement of €10.2bn, has 20 Corporate Centres distributed around the country, with dedicated teams in each region.

In the first half of 2022, novobanco's corporate loans (large and medium-sized companies) grew by €440mn (+4.2% YTD), with strong growth in corporate treasury products (+14.6% YTD on short-term lending), in new investment loans (+€915mn), and in guarantees and documentary credits (+€544mn), supporting clients' activity.

novobanco maintains a strong foothold in the exporting sector, with around 61.1% of the medium and large exporting companies as clients, equivalent to approximately 2,900 clients. In Trade Finance, novobanco provides a wide range of products and specialised advice in support of international trade. The Bank's know-how in this segment is valued and recognised, resulting in a market share of around 19.1%⁴.

Within the scope of programmes to support the development of the economy by stimulating innovation, digital transformation and energy transition, such as the RRP and Portugal 2030, in the period, novobanco continued to develop and enhance its activity as a leading financial partner for Portuguese companies. In this context, both FEI and EIB financing solutions under the European Guarantee Fund were made available to its corporate clients. This allowed SMEs, Mid Caps and Large Companies to access financing under preferential conditions, promoting investment and support for treasury in a particularly challenging phase of post-pandemic activity resumption and inflation (ie: raw materials, energy and labour), which result in greater working capital needs.

The multidisciplinary team set up for this purpose continued to focus on the already identified areas: i) provision of permanently updated information on these programmes to facilitate clients' access to the available support; ii) partnership with consultants specialised in the preparation of such applications; iii) information and clarification sessions to clients, associations and other relevant entities; and iv) a specific offer of financial products to cover investment needs, including advances on funds, equity and working capital financing and issuance of guarantees.

novobanco online for corporate clients has a high penetration rate, of over 79%. The new version of the novobanco online for companies, launched in the last quarter of 2021, delivers a sharply redesigned user experience. New components were also made available in the first half of 2022, especially focused on improving accessibility, ease of generating and sending proof of operations, and also new widgets and components for easier use of the service.

Regarding the assessment made by the corporate clients, the NPS (Net Promoter Score) totalled 32.6. The Quality of Service continues to stand out and the weight of Very Satisfied Customers reached 88.2% in June 2022.

Retail Banking

Novobanco's positioning relies on building long-term relationships with its clients, as reflected in the optimisation of the commercial network to meet the clients' expectations and needs. Considering the ongoing behavioural changes in all age brackets, largely induced by consumption habits created by other industries, it has become essential to be seamlessly available to the clients through their preferred channels, and to be aware of the journey made by each client to adopt the Bank's solutions - a concept known as Omnicanality.

The omnichannel operation maintains the key support of the branch network. novobanco continues to revamp the branch network, redesigning the face-to-face service experience, with greater focus on customised service and

³ May 2022

⁴ May 2022, as measured by the number of Swift messages.

space for relaxed and meaningful engagement with the clients. There are currently 167 branches with the new format (107 of which were converted in 2021), and the process for the remaining branches is underway.

Within the scope of omnicanality, and besides the physical branch network, novobanco has 118 Virtual Teller Machines (VTMs) (vs. 65 in Dec.21) featuring physical currency management solutions (for cash withdrawal and deposit). These provide a key basis for the development of new virtual value-added services, such as authentication by citizen card, cheque deposit, scheduling of large withdrawals and 24/7 operation.

The universe of clients subscribing to the 360° Link service also continues to expand. 360° Link is a remote manager service with monitoring capabilities for high-value clients who prefer remote contact.

Customer acquisition showed strong growth, increasing by 52% YoY, with more than 20% of the new clients being under 25 years (which compares with a 10% of current client base in this age group) - consolidating a relevant trend of rejuvenation of the Bank's customer base. The following stand out in the effort to attract and reactivate Clients:

- i) The Cross-Segment Programme, which gives employees of companies (with which the Bank has relationships) access to more favourable conditions in several of the Bank's products and services. Bank promoters had a relevant contribution to the retail segment's customer acquisition, with a share of 15% in the period.
- ii) The customer-loyalty programme: an ongoing programme based on advanced micro-segmentation that seeks to deepen the relationship with underpenetrated active clients. Contact coverage reached 72%, successfully increasing the relationship in 19% of the cases, and having visible results in the use of basic customer equipment: service accounts, credit card and salary solution.
- iii) The pilot programme for customer reactivation, with promising results and progressive roll out.

Mortgage loan origination reached €0.6bn, maintaining in 2022 the growth trend initiated in the second quarter of 2021 and continuing to pursue the goal of increasing the market share (Apr/22 stock: 9.2%). The 54% YoY increase in residential and other mortgage loans in 1H22 was driven by an advertising campaign that significantly expanded the client acquisition basis and permitted to reach higher value markets, combined with a marked improvement in competitiveness and in our relationships with credit intermediaries.

Consumer loans grew by 9.4% year-on-year in the second quarter of 2022, sustaining the recovery of the recent quarters and enabling annualised growth of 37%. Digital channels production (+276% YOY) and the Non-Financial Offer, where the Bank holds a differentiating positioning in the art market, are also worth noting. The external channels continue to make a significant contribution, with a 15% share of the second quarter production.

As regards the investment offer, novobanco continues to pay particular attention to the new investment trends. Sustainability featured prominently in this offer, which was reinforced with thematic funds (two of which meet the sustainable investment requirements of the Sustainable Finance Disclosure Regulation (SFDR)), and alternative funds, which increase the range of strategies and alternatives for building investment advisory portfolios, in accordance with the client's profile and initial portfolio.

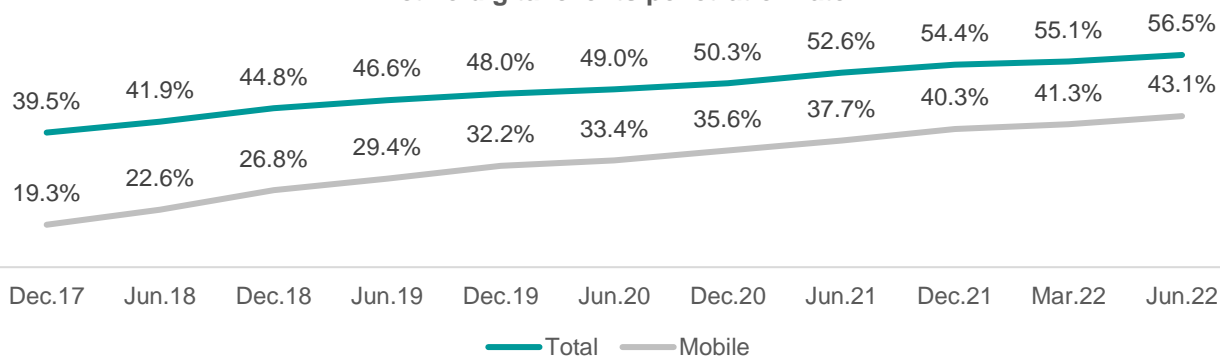
In the Small Businesses segment, know-how and proximity have permitted the ongoing assessment of the macro environment's individual impacts, as well as to support each client with the right solutions for continued business development. The customer base grew by 7.5% in the 1H22 (15.2% annualised) with an impact on the placement of equipment, such as TPAs (with the stock increasing by 5.5%), and on loans, with the small businesses' loan portfolio growing by 6.6%. The segment's stock of customer funds grew by 7.0%, indicating some propensity to save in a period of volatility.

In both the Corporate and the Retail segments, the purpose of digital transformation involves i) accelerating front-to-back digitisation by improving experience and efficiency by addressing the customer journeys and transforming

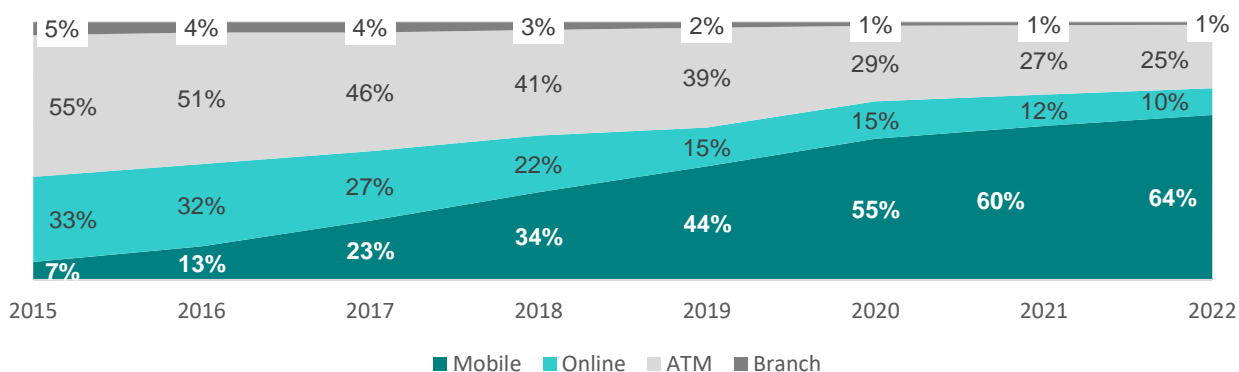
the operating model, and ii) transforming the digital channels to ensure a fully omnichannel experience and greater customisation, leveraging best-in-class data science.

This strategy drove an increase in the number of active digital clients, to 56.5% of the total in June 2022 (Jun/21: 52.6%; the number of digital clients increased by 8% YoY) as well as a 14% annual rise in the number of active mobile clients (43% of clients are mobile). In turn, this underpinned a YoY increase in the weight of digital sales of: Personal Loans (+284%; 13% of segment sales vs 4% in 1H21), Life and Non-Life Insurance (+196%; 5% of segment sales vs 2% in 1H21), and Credit Cards (+110%; 3% of sales vs 2% in 1H21).

Active digital clients penetration rate



Customer Touchpoints (Retail)



In the first half of 2022, 74% of individual clients' contacts with novobanco were made through the digital channels (+2 pp YoY). Reflecting a reinforced focus on a "mobile digital first" strategy, mobile continues to be the main means of contact of individual clients, with interactions (as measured by the number of logins) growing by 19% YoY.

ECONOMIC ENVIRONMENT

The first half of 2022 was marked by the outbreak of war in Ukraine, in February, which led to the imposition of economic sanctions on Russia and to more distress in global supply chains, accentuating the difficulties caused by the Covid-19 pandemic. In the first half of the year the price of oil (Brent) rose by 48%, while the price of natural gas in Europe was up by 53%, to 140.5 mwh. Inflation became more sweeping and persistent in the main economies, rising year-on-year from 7% to 9.1% in the US and from 5% to 8.6% in the Eurozone. In this context, the US Federal Reserve raised the fed funds target rate three times, by a total of 150 bps, to 1.5%-1.75%, and announced a faster tightening of its balance sheet. In the Eurozone, the ECB maintained the deposit facility rate at -0.5%, but signalled its intention to raise benchmark interest rates in July (by 25 bps) and September (by 25 to 50 bps). The Eurozone monetary authority ceased net asset purchases under the pandemic emergency programme (PEPP) in March and brought forward to June the end of net asset purchases under the Asset Purchase Programme (APP). The 3-month Euribor rose by 38 bps to -0.195%, with the market significantly raising its expectations of further hikes. The yield on the 10-year Bund increased from -0.177% to 1.336%. The euro lost 7.8% against the dollar to EUR/USD 1.048, reflecting the Fed's more hawkish stance in raising interest rates, the greater exposure of the European economy to the impacts of the conflict in Ukraine and a general environment of greater aversion to risk.

Although supported by the removal of a large part of the Covid-19 restrictions and by the lagged effects of policy stimuli, activity in the main economies remained constrained by global supply chain hurdles and by the impacts of the war in Ukraine. The Eurozone GDP grew by 0.6% in the first quarter and 0.1% in the second, while the unemployment rate retreated from 6.9% to 6.6% of the labour force. Confidence, consumption and investment were penalised by increased uncertainty and rising inflation. Expectations of tighter monetary and financial conditions and growing fears of a slowdown or fall in activity increased volatility in the financial markets and penalised risk assets. In the US, the S&P 500 and Nasdaq stock market indices fell by 20.6% and 29.5%, respectively. In Europe, the Euro Stoxx and DAX retreated by 16.5% and 19.5%. The Portuguese PSI-20 rose by 8.5%, with this growth mainly occurring in the 1st quarter.

In Portugal, GDP grew by 2.6% quarter-on-quarter and 11.9% year-on-year in the 1st quarter, driven by favourable base effects, an acceleration in private consumption and strong exports growth. In part this reflected the near total elimination of the pandemic restrictions, supporting services and, in particular, tourism. In the 2nd quarter GDP is reckoned to have contracted by around 0.3% quarter-on-quarter, a performance explained by the unfavourable comparison with the abnormally high growth in the previous quarter. The indirect effects of the war in Ukraine also became more visible. Year-on-year inflation rose from 3.3% to 8.7%, with companies reporting difficulties associated with the scarcity and cost of production resources. The monthly unemployment rate remained subdued, increasing from 5.9% to 6.1% of the labour population between January and May, below the 6.9% seen in May 2021. In this context, and despite the end of loan moratoria in September 2021, the NPL ratio retreated to 3.6% in the 1st quarter of 2022, from 4.6% a year earlier and 3.7% at the end of 2021. House prices accelerated in the 1st quarter of 2022, with year-on-year growth rising from 11.6% to 12.9%, partly induced by buoyant external demand. The yield on the 10-year TB rose from 0.465% to 2.415%, with the spread vs. the Bund widening 44 bps but remaining relatively contained (108 bps) and below the yield in other peripheral Eurozone economies.

FINANCIAL STATEMENTS

MAIN HIGHLIGHTS	30-Jun-21	31-Dec-21	30-Jun-22
ACTIVITY (mn€)			
Net Assets	45 887	44 619	45 493
Customer Loans (gross)	24 945	24 899	25 541
Customer Deposits	26 875	27 315	28 385
Equity	3 239	3 149	3 252
SOLVENCY ⁽³⁾			
Common Equity Tier I / Risk Weighted Assets ⁽³⁾	10.9%	11.1% ⁽⁴⁾	11.8%
Tier I / Risk Weighted Assets ⁽³⁾	10.9%	11.1% ⁽⁴⁾	11.8%
Total Capital / Risk Weighted Assets ⁽³⁾	12.8%	13.1% ⁽⁴⁾	13.9%
Leverage Ratio	6.2%	6.0% ⁽⁴⁾	5.7%
LIQUIDITY (mn€)			
European Central Bank Funding ⁽²⁾	2 656	2 742	2 162
Eligible Assets for Repo Operations (ECB and others), net of haircut	17 048	16 476	16 513
(Total Credit - Credit Provision) / Customer Deposits ⁽¹⁾	87%	86%	83%
Liquidity Coverage Ratio (LCR)	150%	182% ⁽⁴⁾	187% ⁽³⁾
Net Stable Funding Ratio (NSFR)	113%	117% ⁽⁴⁾	106% ⁽³⁾
ASSET QUALITY			
Overdue Loans > 90 days / Customer Loans (gross)	2.3%	1.2%	1.3%
Non-Performing Loans (NPL) / (Customer Loans + Deposits with banks and Loans and advances to banks)	7.3%	5.7%	5.4%
Credit Provision / Overdue Loans > 90 days	255.6%	430.2%	380.2%
Credit Provision / Customer Loans (gross)	5.9%	5.0%	4.8%
Cost of Risk	0.68%	0.60%	0.15%
PROFITABILITY			
Net Income for the Period (mn€)	137.7	184.5	266.7
Income before Taxes and Non-controlling interests / Average Net Assets ⁽¹⁾	0.7%	0.5%	1.4%
Banking Income / Average Net Assets ⁽¹⁾	2.2%	2.9%	2.6%
Income before Taxes and Non-controlling interests / Average Equity ⁽¹⁾	9.9%	7.1%	20.8%
EFFICIENCY			
Operating Costs / Banking Income ⁽¹⁾	41.7%	42.0%	36.5%
Operating Costs / Commercial Banking Income	48.1%	47.7%	50.6%
Staff Costs / Banking Income ⁽¹⁾	24.1%	24.0%	19.6%
EMPLOYEES (No.)			
Total	4 470	4 193	4 167
- Domestic	4 448	4 165	4 147
- International	22	28	20
BRANCH NETWORK (No.)			
Total	349	311	304
- Domestic	348	310	303
- International	1	1	1

(1) According to Banco de Portugal Instruction n. 16/2004, in its version in force

(2) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending

(3) Preliminary

(4) Updated values

NOVO BANCO, S.A.
CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2022 AND 2021

thousands of Euros

	30.06.2022	30.06.2021
Interest Income	365 753	370 383
Interest Expenses	(97 723)	(81 126)
Net Interest Income	268 030	289 257
Dividend income	2 826	5 359
Fees and commissions income	165 270	157 327
Fees and commissions expenses	(22 921)	(24 561)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	(52 582)	10 832
Gains or losses on financial assets and liabilities held for trading	148 420	18 972
Gains or losses on financial assets mandatorily at fair value through profit or loss	(10 955)	30 125
Gains or losses on financial assets and liabilities designated at fair value through profit and loss	30	81
Gains or losses from hedge accounting	113	8 192
Exchange differences	(964)	13 438
Gains or losses on derecognition of non-financial assets	4 132	1 308
Other operating income	143 982	48 661
Other operating expenses	(69 088)	(63 161)
Operating Income	576 293	495 830
Administrative expenses	(189 171)	(187 775)
<i>Staff expenses</i>	(111 844)	(117 628)
<i>Other administrative expenses</i>	(77 327)	(70 147)
Cash contributions to resolution funds and deposit guarantee schemes	(41 155)	(40 535)
Depreciation	(19 545)	(16 364)
Provisions or reversal of provisions	21 926	23 570
<i>Commitments and guarantees given</i>	4 685	18 610
<i>Other provisions</i>	17 241	4 960
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(60 876)	(101 006)
Impairment or reversal of impairment of investment in subsidiaries, joint ventures and associates	20 773	969
Impairment or reversal of impairment on non-financial assets	(1 610)	(12 730)
Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	2 453	953
Profit or loss before tax from continuing operations	309 088	162 912
Tax expense or income related to profit or loss from continuing operations	(18 921)	(21 115)
<i>Current tax</i>	(2 596)	(4 409)
<i>Deferred tax</i>	(16 325)	(16 706)
Profit or loss after tax from continuing operations	290 167	141 797
Profit or loss from discontinued operations	(270)	(1 411)
Profit or loss for the period	289 897	140 386
Attributable to Shareholders of the parent	266 724	137 706
Attributable to non-controlling interests	23 173	2 680
	289 897	140 386

NOVO BANCO, S.A.
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2022 AND 31 DECEMBER 2021

	thousands of Euros	
	30.06.2022	31.12.2021
ASSETS		
Cash, cash balances at central banks and other demand deposits	6 225 736	5 871 538
Financial assets held for trading	200 800	377 664
Financial assets mandatorily at fair value through profit or loss	583 312	799 592
Financial assets at fair value through other comprehensive income	2 679 702	7 220 996
Financial assets at amortised cost	31 329 794	26 039 902
Securities	6 979 236	2 338 697
Loans and advances to banks	46 916	50 466
Loans and advances to customers	24 303 642	23 650 739
Derivatives – Hedge accounting	344 320	19 639
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(190 983)	30 661
Investments in subsidiaries, joint ventures and associates	118 687	94 590
Tangible assets	981 274	864 132
Tangible fixed assets	268 457	238 945
Investment properties	712 817	625 187
Intangible assets	69 539	67 986
Tax assets	848 511	779 892
Current Tax Assets	36 194	35 653
Deferred Tax Assets	812 317	744 239
Other assets	2 290 356	2 442 550
Non-current assets and disposal groups classified as held for sale	11 953	9 373
TOTAL ASSETS	45 493 001	44 618 515
LIABILITIES		
Financial liabilities held for trading	163 373	306 054
Financial liabilities measured at amortised cost	40 898 619	40 215 994
Deposits from central banks and other banks	9 874 931	10 745 155
Due to customers	29 030 063	27 582 093
Debt securities issued, Subordinated debt and liabilities associated to transferred assets	1 542 850	1 514 153
Other financial liabilities	450 775	374 593
Derivatives – Hedge accounting	14 982	44 460
Provisions	397 213	442 834
Tax liabilities	11 025	15 297
Current Tax liabilities	7 990	12 262
Deferred Tax liabilities	3 035	3 035
Other liabilities	754 278	443 437
Liabilities included in disposal groups classified as held for sale	1 755	968
TOTAL LIABILITIES	42 241 245	41 469 044
EQUITY		
Capital	6 054 907	6 054 907
Accumulated other comprehensive income	(1 183 107)	(1 045 489)
Retained earnings	(8 577 074)	(8 576 860)
Other reserves	6 670 293	6 501 374
Profit or loss attributable to Shareholders of the parent	266 724	184 504
Minority interests (Non-controlling interests)	20 013	31 035
TOTAL EQUITY	3 251 756	3 149 471
TOTAL LIABILITIES AND EQUITY	45 493 001	44 618 515

GLOSSARY

INCOME STATEMENT	
Fees and Commissions	Fee and commission income less fee and commission expenses
Commercial banking income	Net interest income and fees and commissions
Capital markets results	Dividend income, gains or losses on the derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets that must be accounted for at fair value through profit or loss, gains or losses on financial assets and liabilities accounted for at fair value through profit or loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on the derecognition of non-financial assets, Other operating income, Other operating expenses, Proportion of profits or losses from investments in subsidiaries and joint ventures and associates accounted for using the equity method
Banking Income	The sum of Net interest income, Fees and commissions, Capital markets results and Other operating results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net Operating Income	Banking income - Operating costs
Provisions and Impairments	Provisions or reversal of provisions, Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates and Impairment or reversal of impairment of non-assets financial
BALANCE SHEET / LIQUIDITY	
Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as non-tradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off- balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.
ASSET QUALITY AND COVERAGE RATIOS	
Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit, deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans and loans and advances to banks (on balance sheet) to non-performing loans.

EFFICIENCY AND PROFITABILITY RATIOS	
Efficiency (Staff costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Efficiency (Operating costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.
Return on tangible equity (RoTE)	Ratio of return for the period and tangible equity. The return corresponds to the annualized result before tax, less the contribution on the banking sector and contributions to resolution funds, being adjusted for events considered extraordinary. Tangible equity calculated as risk weighted assets x 12%.

ABREVIATIONS	
€mn	million euros
€bn	billion euros
pp	percentage points
bps	basis points
QoQ	quarter-on-quarter
YoY	year-on-year
OCR	Overall Capital Requirements
P2G	Pillar 2 Guidance



CONFERENCE CALL: 1H22 RESULTS

Novo Banco 1H 2022 Results Presentation

Date: Tuesday, August 2, 2022

Time: 12:00 PM GMT / 1:00 PM CET

Link: https://channel.royalcast.com/landingpage/novobancoen/20220802_1/

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